

REPORTING

Note 1 - Summary of Significant Accounting Policies

(Additional Hospital Districts and Risk Pools Specific Disclosures)

Hospital Districts

X. Patient Service Revenues

Revenues from patient services are reported on the full-accrual basis in the period in which services are provided at established rates, whether or not collection in full is anticipated. Contractual adjustments, the result of arrangements to provide services for other than established rates, are reported as revenue deductions and allowances. Contractual adjustments include differences between established rates and amounts estimated by management to be collected under various reimbursement programs in effect. Normal estimation differences between final settlements and amounts accrued in previous years are reported as adjustments of the current year's contractual adjustments.

X. Charity Care

The (district) provides care to patients who met certain criteria under charity care policy without charge or at amount less than established rates. The (district) maintains records to identify and monitor the level of charity care provided. The records include the amount of charges forgone for services and supplies furnished under its charity care policy. Charges associated with charity care for the year ended December 31, 20__ were \$____.

Risk Pools

X. Unpaid Claims Liabilities

The Pool establishes claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims.

Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

X. Deferred Policy Acquisition Costs

Acquisition costs, which consist primarily of salaries, inspection and medical exam fees, and certain underwriting expenses, vary with, and are primarily related to, the issuance of new insurance policies. These costs are deferred and amortized on a straight-line basis over the life of the insurance contract. Deferred acquisition costs are reviewed periodically to determine if they are recoverable from future income, including investment income. If the deferred costs are not recoverable, they are charged to expense in the period of the review. Amortization of deferred costs in 20__ was \$_____.

X. Reinsurance

The Pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. The amount deducted from claims liabilities as of, 20__ for reinsurance was \$_____. Premiums ceded to reinsurers during 20__ were \$_____.

X. Member Assessments and Unearned Member Assessments

Member assessments are collected in advance and recognized as revenue in the period for which insurance protection is provided. The assessment is calculated based on _____. [1]

X. Unpaid Claims

Claims are charged to income as incurred. Claim reserves represent the accumulation of estimates for reported, unpaid claims, plus a provision for claims incurred, but not reported. These estimates are continually reviewed and updated, and any resulting adjustments are reflected in current earnings.

X. Reserve for Unallocated Loss Adjustment Expenses

The reserve for unallocated loss adjustment expenses represents a liability for the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not reported. Management estimates this liability at the end of each year based upon (describe method used). The change in the liability each year is reflected in current earnings.

X. Exemption from Federal and State Taxes

Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from gross income under IRC Section 115(1). [2]

X. Premium Deficiency [3]

INSTRUCTIONS TO PREPARER

[1] Describe the basis of the calculation for member assessments.

[2] If the tax exempt status of the pool is different than the previous statement describe the tax liability of the pool.

- [3] If the sum of expected claims costs (including IBNR) and all expected claim adjustments exceeds unearned premiums a premium deficiency exists. This issue needs to be disclosed and whether anticipated investment income is considered in determining if a premium deficiency exists.